

**GENERAL AMERICAN MUTUAL HOLDING COMPANY
IN LIQUIDATION**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2002



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ACCOUNTANTS' COMPILATION REPORT

To Albert Riederer, Special Deputy Liquidator

GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

We have compiled the statement of net assets of General American Mutual Holding Company In Liquidation as of December 31, 2002, and the related statements of changes in net assets, receipts, and disbursements for the year ended December 31, 2002 included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form prescribed by the Missouri Department of Insurance information that is the representation of management. We have not audited or reviewed the accompanying financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements, including related disclosures, are presented in accordance with the requirements of the Missouri Department of Insurance, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
February 10, 2003

GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF NET ASSETS

December 31, 2002

ASSETS

	Type of Asset	Subtotal Column	Total
Cash			\$ 1,640
Short-term Obligations			17,162,662
Deposits Held for Other States			-
Bonds:			
U.S. Government, including mortgage backed		\$ 369,738,899	
Industrials, Public Utilities		40,393,533	
Municipal/Non-revenue		946,489,577	
Railroad		-	
Banks, Insurance and Other Financial Institutions		26,830,597	
MVA on Bonds		125,027	
Total Bonds			1,383,577,633
Stocks:			
Preferred		-	
Common		-	
MVA		-	
Total Stock			-
Mortgage Loans			-
MVA			-
Real Estate			-
MVA			-
Policy Loans			-
Other Invested Assets			
Asset 1		-	
Asset 2		-	
Asset 3		-	
Any applicable MVA or adj. for uncollectible		-	
Total of Other Invested Assets			-
Advances to Guaranty Associations			-
Recoverable from Reinsurers:			
Paid Losses		-	
Paid LAE		-	
Known Case Loss Reserves		-	
Known Case LAE Reserves		-	
IBNR Loss Reserves		-	
IBNR LAE Reserves		-	
Unearned Ceded Premiums		-	
Contingent Commissions (If not claims)		-	
MVA		-	
Total Recoverable from Reinsurers			-
Federal Income Tax Recoverable			-
Other Taxes Recoverable			-
Salvage and Subrogation Recoverables			-
Premiums Due and Accrued			-
Agents' Balances			-
Receivable from Affiliates			-
Accrued Investment Income			11,805,304
Equipment, Furnishings and Supplies			18,857
Other Fixed Assets			-
Depreciation on Equipment & Other Fixed Assets			(2,140)
Other Assets:			
Asset 1 – Accounts receivable on pending investment sales		6,000,000	
Asset 2 –		-	
Asset 3 –		-	
Any applicable MVA or adj. for uncollectible		-	
Total Other Assets			6,000,000

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See Notes to Financial Statements

GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF NET ASSETS

December 31, 2002

ASSETS

Type of Asset	Subtotal Column	Total
Total Unrestricted Assets		\$ 1,418,563,956
Restricted Assets		<u>-</u>
Total Assets		<u>\$ 1,418,563,956</u>

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF NET ASSETS

December 31, 2002

LIABILITIES

Type of Liability	Subtotal Column	Total
Secured Claims		\$ -
Class 1 Administrative Claims:		
GF	\$ -	
General Administrative Expenses Pending	19,960,692	
Total Class 1 Claims		19,960,692
Class 2 Policy Benefit Claims:		
GF Covered	-	
Ancillary	-	
NGC	-	
Total Class 2 Claims		-
Class 3 U.S. Government		-
Class 4 Employee Compensation		-
Class 5 Premium and General Creditor Claims:		
GF Covered Premium	-	
Reinsurance Assumed	-	
Reinsurance Ceded	-	
NGC Premium	-	
Ancillary	-	
Other NGC General Creditor	-	
Total Class 5 Claims		-
Class 6 State & Local Government		-
Class 7 Late Filed		-
Class 8 Surplus Note		-
Class 9 Ownership Related		-
Total Liabilities		19,960,692
Excess (Deficiency) of Assets Over Liabilities		1,398,603,264
Total		\$ 1,418,563,956

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2002

<u>Itemization of Individual Net Asset Changes</u>	<u>Individual Amounts of Net Asset Changes</u>	<u>Totals Column</u>
Net Assets at December 31, 2001	\$	1,365,372,216
Increases in Net Assets:		
Premium	\$ -	
Commission	-	
Rental Income	-	
Mortgage Receipts (Principal & Interest)	-	
Policy Loan Receipts (Principal & Interest)	-	
Proceeds from Sales of Real Estate	-	
Proceeds from Sales of PP&E	-	
Reinsurance Recoveries on Losses	-	
Reinsurance Recoveries on LAE	-	
Agents Balances Received	-	
Collection of Affiliate Receivables	-	
Salvage and Subrogation Recoveries	-	
Recovery of Taxes Previously Paid	674,438	
Interest & Dividend Income	41,510,431	
Other Income – Gain on sale of investments	2,522,212	
Proceeds from legal settlement	29,500,000	
Proceeds from Sales and Maturities of Investments	-	
Total Increase in Net Assets		74,207,081
Decreases in Net Assets:		
Secured Claims		
Class 1 Administrative Claims:		
Legal fees	(1,877,458)	
Audit, accounting, and actuarial fees	(1,755,443)	
Special Deputy Liquidator fees	(300,000)	
Consulting fees	-	
Policy holder notification expenses	(423,409)	
Salaries	-	
Employee benefits	(12,022)	
Payroll and related taxes	(135,630)	
Rent and related expenses	(20,282)	
Office expenses	(33,138)	
Acquisition of fixed assets	-	
Investment expenses	(2,014,361)	
Other disbursements – Interest expense	(7,605)	
Other disbursements – Legal fees associated with legal settlement	(9,460,000)	
Other disbursements – Unrealized depreciation of investments	(16,206,473)	
Other disbursements – Quarterly federal and state income tax payments	(8,730,212)	
Total Class 1 Claims	(40,976,033)	
Class 2 Policy Benefit Claims:		
GF Covered Paid Loss	-	
GF Covered Open Loss	-	
GF Covered Paid LAE	-	
GF Covered Open LAE	-	
Ancillary Paid	-	
Ancillary Open	-	
NGC Paid	-	
NGC Open	-	
Total Class 2 Claims	-	

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2002

<u>Itemization of Individual Net Asset Changes</u>	<u>Individual Amounts of Net Asset Changes</u>	<u>Totals Column</u>
Class 3 U.S. Government	\$ -	
Class 4 Employee Compensation	-	
Class 5 Premium and General Creditor Claims:		
GF Covered Premium	-	
Reinsurance Assumed	-	
Reinsurance Ceded	-	
NGC Premium	-	
Ancillary	-	
Other NGC General Creditor	-	
Total Class 5 Claim	-	
Class 6 State & Local Government	-	
Class 7 Late Filed	-	
Class 8 Surplus Note	-	
Class 9 Ownership Related	-	
Amounts Expensed for Investment Purchases	-	
Total decrease in net assets		<u>(40,976,033)</u>
Net assets at December 31, 2002		<u>\$ 1,398,603,264</u>

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF RECEIPTS

For the Year Ended December 31, 2002

<u>Type of Receipt</u>	<u>Year Ended December 31, 2002</u>	<u>Period from November 30, 1999 to December 31, 2002</u>
Premium Receipts	\$ -	\$ -
Commission Receipts	-	-
Rental Receipts	-	-
Mortgage Receipts:		
Principal	-	-
Interest	-	-
Policy Loan Receipts:		
Principal	-	-
Interest	-	-
Proceeds from Sales:		
Real Estate	-	-
PP&E	-	-
Reinsurance Recoveries	-	-
Agents' Balances Received	-	-
Collection of Affiliate Receivables	-	-
Salvage and Subrogation Recoveries	-	-
Recovery of Taxes Previously Paid	4,836,730	57,413,876
Interest and Dividend Receipts	69,635,369	205,438,063
Other Receipts:		
Receipt 1 – Advance from GALIC	-	4,985,445
Receipt 2 – Proceeds from sale of GAMHC to MetLife	-	1,201,318,368
Receipt 3 – Deposit from GALIC for expected income tax liability for 2000	-	125,000
Receipt 4 – Proceeds from 1999 income tax refund	-	33,705,000
Receipt 5 – Proceeds from MetLife for 1999 income tax refund	-	33,705,000
Receipt 6 – Proceeds from MetLife for recovery of taxes previously paid	-	43,717,670
Receipt 7 – Legal settlement	-	1,811,808
Receipt 8 – Legal settlement	29,500,000	29,500,000
Receipt 9 - Miscellaneous	-	2,427
Total Before Proceeds from Investment Sales and Maturities	<u>103,972,099</u>	<u>1,611,722,657</u>
Proceeds from Sales and Maturities of:		
Short-term Investments (Net)	1,263,522,864	4,669,999,472
Bonds	8,102,731,098	21,279,951,961
Stocks	-	-
Total Proceeds from Investment Sales and Maturities	<u>9,366,253,962</u>	<u>25,949,951,433</u>
Total Cash Receipts	<u>\$ 9,470,226,061</u>	<u>\$ 27,561,674,090</u>

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF DISBURSEMENTS

For the Year Ended December 31, 2002

<u>Disbursement Category</u>	<u>Gen. Admin. Expenses</u>	<u>Claims Admin. Expenses</u>	<u>Asset Recovery Expenses</u>	<u>Total Disbursements</u>
Disbursements:				
Loss/Benefit Payments	\$ -	\$ -	\$ -	\$ -
LAE Payments	-	-	-	-
Reinsurance Payments	-	-	-	-
Legal Fees	1,877,458	-	-	1,877,458
Audit, Accounting, & Actuarial Fees	1,755,443	-	-	1,755,443
Special Deputy Receiver Fees	300,000	-	-	300,000
Consulting Fees	-	-	-	-
Policy Holder Notification Expenses	423,409	-	-	423,409
Salaries	-	-	-	-
Employee Benefit	12,022	-	-	12,022
Payroll and Related Taxes	135,630	-	-	135,630
Rent and Related Expenses	20,282	-	-	20,282
Office Expenses	31,581	-	-	31,581
Acquisition of Fixed Assets	11,806	-	-	11,806
Investment Expenses	2,014,361	-	-	2,014,361
Other Disbursements:				
Disbursement 1 – December 31, 2002 estimated income tax payments	8,730,212	-	-	8,730,212
Disbursement 2 – Purchased interest	-	-	12,693,953	12,693,953
Disbursement 3 – Legal fees associated with legal settlement	9,460,000	-	-	9,460,000
Disbursement 3 – Interest expense	<u>7,605</u>	<u>-</u>	<u>-</u>	<u>7,605</u>
Total Disbursements Before Distributions And Investment Purchases	<u>24,779,809</u>	<u>-</u>	<u>12,693,953</u>	<u>37,473,762</u>
Distributions:				
Early access distributions	-	-	-	-
Interim or final distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Disbursements and Distributions Before Investment Purchases	<u>24,779,809</u>	<u>-</u>	<u>12,693,953</u>	<u>37,473,762</u>
Investment Purchases:				
Short-term Investments	-	-	1,264,698,877	1,264,698,877
Bonds	-	-	8,168,054,440	8,168,054,440
Stocks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Purchase Transactions	<u>-</u>	<u>-</u>	<u>9,432,753,317</u>	<u>9,432,753,317</u>
Total Disbursements, Distributions, and Investment Purchases	<u>\$ 24,779,809</u>	<u>\$ -</u>	<u>\$ 9,445,447,270</u>	<u>\$ 9,470,227,079</u>
Net Increase in Cash				(1,018)
Cash at Beginning of Period				<u>2,658</u>
Cash at End of Period				<u>\$ 1,640</u>

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See Notes to Financial Statements

GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Notes to Financial Statements are not a requirement under the prescribed format of the Missouri Department of Insurance. The accompanying disclosures include selected information that is not intended to be all-inclusive.

Organization - GAMHC entered into a \$1,200,000,000 stock purchase agreement with Metropolitan Life Insurance Company (MetLife) on August 26, 1999 to sell the common stock of GenAmerica Corporation. In accordance with this stock purchase agreement, the funds, once received, are to be held in an account and used to indemnify MetLife with respect to outstanding claims and losses set forth in the purchase agreement, and to pay certain taxes and expenses of GAMHC, including those associated with the Liquidation. The purchase agreement was closed on January 6, 2000.

Principles of accounting – These financial statements represent an accounting for the assets and liabilities of General American Mutual Holding Company (GAMHC) from the point in time the respective assets and liabilities were transferred to the control of the Special Deputy Liquidator until such time as the assets and liabilities are liquidated or the control of these items are transferred from the Special Deputy Liquidator to another party.

The following items have been transferred to the control of the Special Deputy Liquidator since November 30, 1999:

- a) On November 30, 1999, GAMHC in Liquidation received a cash advance of \$4,985,445 from GALIC.
- b) On December 1, 1999, a \$5,000,000 loan payable, dated September 19, 1999, from GAMHC to General American Life Insurance Company (GALIC), maturing January 2000 at a 6.5% interest rate was received.
- c) On January 6, 2000, \$1,202,818,368, including interest, was received from Metropolitan Life Insurance Company (MetLife) in connection with the stock purchase agreement with GenAmerica Corporation. At the time of closing, \$1,500,000 of the sale proceeds were paid directly to GALIC to satisfy a portion of the outstanding note payable. The remaining amounts due on the note payable, including interest totaling \$100,616, were paid to GALIC in January 2000 by GAMHC in Liquidation.
- d) On April 17, 2000, \$125,000 was received from GALIC as a deposit of their portion of state income taxes for the first quarter of 2000.
- e) In January, 2000, \$33,705,000 was received relating to the 1999 income tax refund of GAMHC. Per a court order dated, February, 2000, GAMHC in Liquidation was required to repay this amount to GALIC upon receipt of a like amount from MetLife.
- f) In November, 2000, a \$43,717,670 refund was received relating to the amended federal income tax returns for the years ending 1994, 1996, 1997 and 1998 for GAMHC. GAMHC in Liquidation repaid this amount to GALIC upon receipt of a like amount from MetLife.

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

g) In October, 2002, \$29,500,000 was received as a settlement for legal claims pursued by the Special Deputy Liquidator on behalf of the Members of General American Mutual Holding Company in Liquidation. Fees and expenses associated with the settlement of the claims totaled \$9,460,000. At December 31, 2002, the settlement fund corpus was \$20,073,171. These funds can only be used to pay expenses of the settlement fund and cannot be used for general expenses of General American Mutual Holding Company in Liquidation. These funds will be distributed to the Eligible Members during the course of the liquidation.

Income taxes – Income taxes are being recorded on a cash basis due to several uncertainties, the most significant of which is the fact the Company has income tax returns for years ended December 31, 1997 through December 31, 2000 under review by the Internal Revenue Service.

Investments – Investments which are classified as available-for-sale are recorded at their aggregate fair value. Unrealized holding gains and losses are included as a separate component of receivership corpus until ultimately realized. Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. Premiums and discounts are recognized using the interest method over the period to maturity.

Claims payable – No filed or pending claims have been reflected in the financial statements, except for those approved by the Special Deputy Liquidator. The filed or pending claims could have a material impact on the financial statements.

Accrued expenses – Liabilities incurred but not paid as of December 31, 2002 have not been reflected in the financial statements. The accrued liabilities could have a material impact on the financial statements.

(2) Claims against the Receivership assets

The receivership has various unresolved claims and potential claims against the receivership's assets. The largest known claims are discussed in the following paragraph.

On January 13, 2003, General America Mutual Holding Company ("GAMHC") received a summary of "Three Year Indemnity Claims" from MetLife. This summary was required by the Plan of Reorganization. The total amount of MetLife's indemnity claims is approximately \$285 million. This includes claims for taxes related to Internal Revenue Service audits of tax years December 31, 1997 to December 31, 2000. Also there are approximately \$15 million of claims for taxes related to these audits which are not included in MetLife's claim. The Special Deputy Liquidator (SDL) has denied all of MetLife's Indemnity Claims. The parties are following the procedure provided in the Plan of Reorganization for resolving the indemnity claims. The outcome of this dispute cannot be reasonably estimated at this time.

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